

# Investment Policy

## Scarborough Sanitary District

Adopted: March 24, 2016

### Policy

It is the policy of the Scarborough Sanitary District (the "District") to invest public funds in a manner which will provide safety of principal with a market rate of return while meeting the daily cash flow demands of the entity.

Title 38 Section 1164 of the Maine Revised Statutes Annotated, authorizes sanitary districts to invest funds in a variety of instruments. All investment instruments allowed in this policy must be expressly authorized by the Maine Statutes. However, it must be recognized that legal does not mean necessarily suitable and that this policy reflects the intent of any investment plan, not the plan itself.

The purpose of this policy is to focus objectives. The District wishes to safeguard the principal as well as to maintain liquidity for invested funds rather than prioritizing a maximum yield on those investments against increased risks.

This Policy supersedes all prior Scarborough Sanitary District Investment Policies.

### Scope

This investment policy applies to all financial assets and funds of the Scarborough Sanitary District listed as follows:

- ❑ Checking Account/General Fund
- ❑ Capacity Reserve Fund
- ❑ Fixed Asset Replacement Reserve Fund
- ❑ Debt Reserve Fund

### Objective

The primary objectives, in priority order, of the District's investment activities shall be:

- ❑ **Safety.** Safety of principal is the foremost objective of the investment program.
- ❑ **Liquidity.** The District's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements, which might be reasonably anticipated.

- ***Return on Investment.*** The District's investment portfolio shall be designed with the objective of attaining a maximum rate of return throughout budgetary and economic cycles, but investing in only the highest quality instruments.
  
- ***Diversity.*** The District will diversify its investments, when practical, to avoid incurring unreasonable risks regarding specific security type or individual institutions.

### **Investment Principles:**

1. In order to maintain liquidity, that the maturity date of the investment shall not fall beyond the time the District anticipates it will need the funds. Monies in the General Fund shall have investment maturities of one year or less. In the case of non-operating funds, investments shall have maturities consistent with the anticipated date of expenditure of the funds at the time the investment is made.
  
2. If in the best interest of the District, a daily Sweep investment account shall be established and maintained to automatically invest available funds on a day-to-day basis.
  
3. Choice of banks for deposits and investments of funds are limited to those financial institutions which are insured by the FDIC. Any funds deposited that exceeds the FDIC limit must be collateralized by the financial institution at 110% of the face value of the deposit or preferably be fully insured by an independent agency.
  
4. Repurchase agreements may only be obtained from financial institutions whose assets exceed \$100 million, or from financial institutions authorized by the Board of Trustees. Repurchase agreements must be collateralized at a minimum of 102% of principal or be fully insured by an independent agency.
  
5. Any designated collateral shall consist of U.S. Treasury or U.S. Government Agency obligations.
  
6. Preference will be given to banking institutions that have an established full service office in the Town of Scarborough, Maine and which meet all of requirements of this policy.

7. All participating banks must be optimally ranked by a nationally ranked bank rating system; e.g. Veribanc uses a “Green”, “\*\*\*” rating for the top performing banks.
8. Any use of a professional money manager must have a custodial Safekeeping arrangement in place, in accordance with Maine law.

#### **Authorized Investments:**

1. Financial Institutions with F.D.I.C. coverage
2. Obligations of the U.S. Government, or its agencies; all purchases made through competitive quotes.
  - U.S. Treasury Bills
  - U.S. Treasury Notes
  - U.S. Treasury Bonds
  - U.S. Government Agency Securities
  - U.S. Government Sponsored Corporation Instruments
3. Certificates of deposit. CD's should be purchased based upon the results of competitive quote.
4. Repurchase Agreements with underlying collateral (REPO)
  - Secured by U.S. Treasuries @ 102% of cost
5. Rated Money Market Mutual Funds invested in U.S. obligations.
6. Pooled Investments, such as Local Government Investment Pools that are in investments limited by Maine State Statutes to the extent that a favorable interest rate of at least 1/8 of 1% exists.

#### **Safekeeping & Custody**

All security collateral, including the collateral for repurchase agreements, will be held by a third party custodian, or Trust Department designated by the District's Treasurer and evidenced by safekeeping receipts. The safekeeping agreements must be in accordance with Maine law.

#### **Ethics and Conflicts of Interest**

Officers and employees of the District involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. No District finance-related employee shall have any

material financial interests in the financial institutions with which it conducts business, nor shall he/she accept any gifts, free service or payment of any kind for performing his/her duties under this policy. The Treasurer shall further abide by the G.F.O.A. Code of Professional Ethics.

### **Authorized Financial Institutions**

A minimum of a bi-annual review of the financial condition of previously qualified banking institutions will be conducted by the Superintendent who may engage the assistance of an auditor.

Periodically, or at least every seven years, the Superintendent shall prepare a *Request for Proposal* to engage the services of the best qualified financial institutions for its primary banking services. The RFP shall include requests for investment services, which may be considered separately from banking services if deemed in the best interest of the District. Results of bids for services or *Requests for Proposals* shall be summarized by the Superintendent and a recommendation made to the Board of Trustees for approval.

### **Reporting to Superintendent**

The Superintendent shall be responsible for the preparation of a monthly statement of the District's cash and investment status to the Board of Trustees.

Adopted, \_\_\_\_\_